

Message Text

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ACTION EB-06

INFO OCT-01 ARA-06 ISO-00 OPIC-03 L-02 AID-05 CIAE-00

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FM AMEMBASSY LA PAZ

TO SECSTATE WASHDC 4750

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E.O. 11652: N/A

TAGS: EINV, BL

SUBJ: OPIC INSURANCE APPLICATION: CHARLES E. STOKES

REF: (A) LA PAZ 2766 (B) STATE 245365 (C) LA PAZ 5806

LA PAZ 5513

1. EMBASSY REMAINS OPPOSED OPIC INSURANCE OF US PRIVATE INVESTMENTS IN AGRICULTURAL LAND IN BOLIVIA. WE HAVE EXPRESSED THESE CONCERNS IN DETAIL IN REFTELS (A), (C) AND (D) BEGINNING WITH FIRST CABLE SENT MAY 29, AND STILL ARE NOT RPT NOT IN POSITION TO COMMENT FAVORABLY ON STOKES INVESTMENT.

2. SUMMARY OF EMBASSY'S POSITION FOLLOWS: ANY SIZEABLE PRIVATE AGRICULTURAL INVESTMENTS, ESPECIALLY FOREIGN, ARE PRECARIOUS BECAUSE OF PAST HISTORY HERE OF LAND EXPROPRIATION WITHOUT COMPENSATION. TO OUR KNOWLEDGE, SINCE 1952 NOT ONE OWNER OF LAND EXPROPRIATED IN BOLIVIA HAS RECEIVED EVEN LOW-INTEREST (2 PERCENT) BONDS PROVIDED FOR IN AGRIRIAN REFORM LAW. AGRICULTURAL INVESTMENTS, ESPECIALLY IN CATTLE LAND, ARE NONETHELESS BEING MADE FOR QUICK TURN-AROUND OF CAPITAL BOTH BY BOLIVIAN AND FOREIGN INVESTORS. OPIC INSURANCE, HOWEVER, WOULD INVOLVE US IN SPECIAL RELATIONSHIP WITH INVESTMENT FOR SOME TIME TO COME WHEN LONG-RANGE TREND OF LAND NATIONALIZATION AND UNSTABLE, OVERLAPPING TITLING LIKELY TO CATCH UP WITH BENI REGION. WE CONCLUDE THAT OPIC SHOULD INSURE

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AGRICULTURAL INVESTMENTS IN BOLIVIA ONLY WHEN ADVANTAGES TO

BOLIVIAN DEVELOPMENT SO ATTRACTIVE THAT THEY CLEARLY AND UNQUESTIONABLY OUTWEIGH CONSIDERABLE RISKS AND IN ANY CASE WHEN ALL LEGAL ARRANGEMENTS FULLY MET AND SECURED.

3. WITH INFORMATION AVAILABLE AT THIS TIME, EMBASSY DOES NOT RPT NOT PERCEIVE THAT EITHER OF THESE CONDITIONS MET BY STOKES INVESTMENT. THERE IS NO RPT NO INDICATION THAT STOKES OFFERRING IMPORTANT SEED INVESTMENT. MANY BOLIVIANS ALREADY ACTIVE IN MEAT PRODUCTION AND USING INCREASINGLY MODERN METHODS WITH TUTLAGE FROM IBRD AND IDB. IF OPIC WERE TO INSURE STOKES NOW, IT WOULD BE ACCEPTING PREMIUM AND THUS INTEREST IN RISK WITH MAJOR FLAW, I.E. LACK OF FIRM TITLE. WE SERIOUSLY DOUBT WHETHER "CONDITION SUBSEQUENT" PROVISION IN CONTRACT WOULD ACTUALLY LESSEN OPIC INVOLVEMENT IN CASE OF EXPROPRIATION BEFORE FINAL PRESIDENTIAL DECREE OBTAINED, ESPECIALLY IF STOKES WERE TO TAKE ISSUE TO COURT.

4. SINCE REFTEL A EMBOFF HAS HEARD ADDITIONAL COMMENTS INDICATING THAT AGRARIAN REFORM PROGRAM HAS EXPROPRIATED WITHOUT COMPESATION LAND WHICH WAS SUPPOSEDLY "INAFFECTABLE" AND THAT LAND TITLES IN EASTERN BOLIVIA CHAOTIC. EMBOFF WITNESSED RECENT ARGUMENT OVER LAND BOUNDARIES IN SANTA CRUZ DEPARTMENT MADE MORE DIFFICULT BECAUSE TWO "OFFICIAL" MAPS OF AREA DID NOT COINCIDE. ANOTHER OPIC APPLICANT, CLAIR PETERSON, DESCRIBED CONSTANT BOUNDARY AND EXPROPRIATION DISPUTES TO EMBOFF BUT IS GOING AHEAD WITH HIS PLANNED INVESTMENT BEFORE COMPLETING ARRANGEMENTS FOR OPIC POLICY BECAUSE RETRUNS APPEAR GOOD AND HE ALREADY RESIDENT.

5. IN ADDITION, EMBASSY WOULD LIKE TO SEE BEFORE OPIC GIVES FURTHER CONSIDERATION TO ISSUING STOKES' POLICY EXACT LANGUAGE COVERING DEFINITION OF INSURED PROJECT TO COMPARE WITH LANGUAGE OF AGRARIAN REFORM LAW. ALSO, WE WOULD WISH TO REVIEW LEGAL LOGIC REGARDING VALIDITY OF FOREIGN OFFICE'S NOTE OF FEBRUARY 21, 1974 AND BELIEVE STATE LEGAL OFFICERS SHOULD ALSO DO SO.

6. WE BELIEVE 90 PERCENT COVERAGE FAR TOO HIGH, ESPECIALLY FOR ANY INVESTMENT AS RISKY AS STOKES'. SUCH EXTENSIVE COVERAGE COULD ENABLE STOKES TO DEAL RIGIDLY AND PERFUNCTORILY LIMITED OFFICIAL USE

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WITH GOB QUTHORITIES.

7. EMBASSY REGRETS THAT OPIC CANNOT TELL STOKES BEFORE "NOVEMBER 6" (SEE STATE REFTEL B SENT NOVEMBER 7) WHEN INSURANCE CONTRACT WILL BE ISSUED, BUT WE BELIEVE QUESTIONS RAISED FIRST BY US FIVE MONTHS AGO SHOULD BE FULLY ANSWERED BEFORE COMMITMENT TO INSURE MADE.

8. EMBASSY WOULD APPRECIATE LEARNING OF STATUS OF COMPANION
INVESTMENT BY LESSOR.
STEDMAN

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